British Columbia Lottery Corporation

Annual Report 1989 · 1990

91-03012/

While lotteries have been conducted in British Columbia since 1974, this year represents the fifth fiscal year of operation for the British Columbia Lottery Corporation.

Table of Contents

British Columbia Lottery Corporation

Industry Recognition .....

Chairman's Message .....

President's Message .....

Executive .....

Retailers Far and Wide .....

Winners and Prizes .....

More B.C. Winners .....

Lottotech .....

Financial Statement .....

Board of Directors .....

The excellent performance of the British Columbia Lottery Corporation in fiscal 1989, which drew the attention of the international lottery industry press, carried over into the 1990 fiscal year.

The following excerpt is from the October 15 - November 14, 1990 issue of International Gaming & Wagering Business Magazine, a New York based publication.

INTERNATIONAL GAMING & WAGERING BUSINESS

B.C. TOP SALES, GOVERNMENT REVENUE PRODUCER IN FISCAL 1989

By Terri LaFleur

Despite experimentation with new niche games, slackening consumer demand for lottery products translated to modest sales growth of 7% for Canada's five provincial lotteries in fiscal 1989.

The British Columbia Lottery Corp. took the lead from the pacesetting Loto-Quebec lottery, both as the most efficient sales producer and as the most efficient government revenue producer.

In fiscal 1989, British Columbia residents reserved .916% of total provincial income for lottery game purchases. The British Columbia lottery boasts the most varied product mix of the industry, with two lotto games, two national passive games, spiel, sports lottery, keno, on-line passive, instant, breakopen and bingo. It also leads the Canadian industry with per-capita annual sales of C$176.

As a revenue producer for government, the British Columbia lottery netted C$194.5 million for provincial programs. Net government lottery receipts represent .340% of total provincial income. Close attention to the bottom line also pushed the British Columbia lottery to the number one position in annual per capita government revenues at C$65.

In other results, the Ontario lottery spent the least to generate both a sales dollar and a government dollar. The Western Canada Lottery posted the highest ratio of government revenues to sales.

INTERNATIONAL GAMING & WAGERING BUSINESS

TABLE 1

LOTTERIES RANKED BY FISCAL 1989 GOVERNMENT REVENUES AS A % OF PROVINCIAL PERSONAL INCOME

LOTTERY	1989	1988
1. British Columbia	.340%	.335%
2. Loto-Quebec	.334%	.358%
3. Western	.256%	.261%
4. Ontario	.243%	.264%
5. Atlantic	.216%	.222%

TABLE 2

LOTTERIES RANKED BY FISCAL 1989 SALES AS A % OF PROVINCIAL PERSONAL INCOME

LOTTERY	1989	1988
1. British Columbia	.916%	.912%
2. Loto-Quebec	.913%	.887%
3. Ontario	.631%	.681%
4. Western	.628%	.637%
5. Atlantic	.627%	.630%

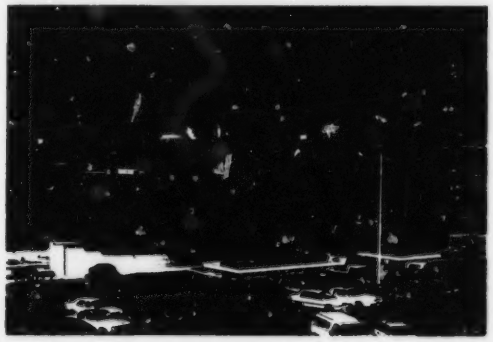
Chairman's Message

Fiscal 1990 was yet another year of achievement for the British Columbia Lottery Corporation.

The Corporation reached its goal of $200 million in profit which was used to fund an array of community projects through the office of the Provincial Secretary in the areas of health, senior citizens' groups, heritage, culture, recreation, sports and other causes.

Through commissions for the sale of *Breakopen* tickets more than 1,000 charitable organizations earned more than $4.3 million.

The Corporation is also a major purchaser in the province, last year spending more than $50 million on goods and services, with 90 per cent spent in British Columbia.



Kamloops Head Office

Richmond Office

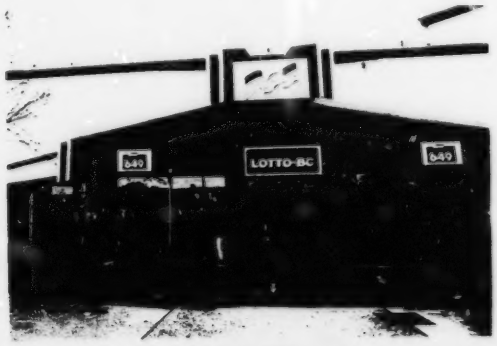
Chairman, Howard Dirks

In addition, this Crown Corporation has a unique relationship with its private sector retail network. The Corporation provides product and technical training, marketing support, a valuable electronic package at virtually no cost to the retailer and extends credit for product purchased. Approximately 2,600 retail outlets earned more than $30 million in commissions last year.

Each year visitors from other countries come to British Columbia to observe the innovative organization which continues to meet the challenges of the changing lottery market while maintaining a spotless record of security and integrity. This past year the visitors' list included officials from Hong Kong, Australia, Ohio and Catalonia in Spain.

The British Columbia Lottery Corporation is one of the top companies in an industry with sales of $60 billion worldwide.

Congratulations to President Guy Simonis and his committed staff on another successful year.



Victoria Office

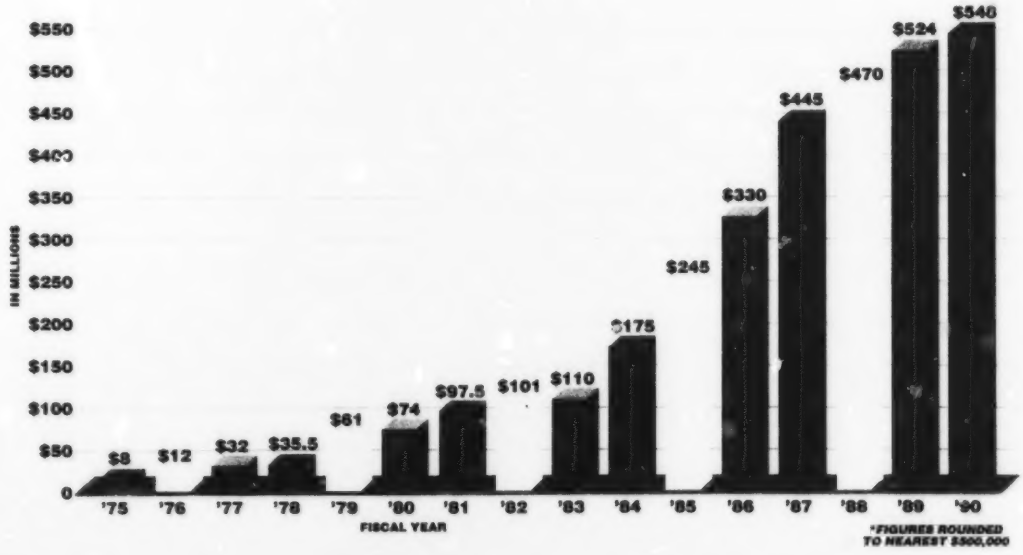
President's Message

British Columbia Lottery Corporation

Fiscal 1989/90 sales were almost $550 million, reflecting five per cent growth. Net revenue for the year, which is forwarded to the Province of British Columbia, increased to $205 million from the previous $194.5 million. Of that, $5 million was forwarded as a contracted payment to the Government of Canada.

While the nationwide games *Lotto 6/49*, the *Provincial* and the $20 special event games continued to be strong performers, some regional games showed impressive progress during the year. The *Extra*, an add-on "spiel" game, increased 40 per cent. And *Lotto BC*, the 6/40 lotto game, improved by 53 per cent.

BC Keno was re-launched with additional prize categories and a new advertising theme focusing on "build-your-own-prize". This has resulted in an increase in sales and a shift in playing patterns.



After several years of incredible growth and market expansion, lottery sales have begun to level off.

President Guy Simonis at the helm of lotteries in British Columbia for 16 years.

The current year has seen the introduction of a $2 *Instant* ticket with the chance to spin a prize wheel to win up to $100,000 in addition to two chances to win $10,000 instantly. The *"Spin of Fortune"* game has resulted in incremental sales, without cannibalizing the level of regular *Instant* game sales.

The sports lottery *Punto Select* continued to point out the difficulty in getting hold of the sports lottery market. Neither award-winning advertising, superb point-of-sale nor extensive media and pro-league support could raise *Punto* from its disappointing performance. As they say in sports parlance — wait 'til next year!

Breakopen sales at $54 million were up 100 per cent.

For the coming year, the focus on regional games will continue, while sustaining the sales of the national games and *Instant*. The continued development of "niche" games holds the promise of growth above inflation, and improved customer service will prove instrumental in efforts to increase profits.

In March 1990, sales and distribution were split into separate departments. "Territory Managers", accountable for achieving imposed sales quotas, spend increased selling time with retail accounts. Product orders are through Tel-Sell and delivery is by security courier.

In the long term, a more specialized retail network will need to be developed — with specialty lottery retailers providing a full range of products and customer service. This year efforts toward that goal will intensify.

Guy Simonis, President

Guy Simonis' position of CEO for lotteries in British Columbia began in May of 1974 with the creation of the Western Canada Lottery Foundation. Currently a board member of INTERTOTO, the international organization of countries which operate toto and loto games. He also is a member of the International Association of State Lotteries (AILE). Guy served as President of the North American Association of State and Provincial Lotteries (NASPL) for two years; the first and only Canadian to hold this office to date. He is currently Vice President of the Interprovincial Lottery Corporation, which governs the national games in Canada. One of North America's senior lottery executives, his leadership in the lottery field dates back to 1971.

Vic Poleschuk, Vice President

An 11-year veteran of the lottery business, Vic holds a Bachelor of Commerce degree in Accounting and Finance from the University of Manitoba. He started his career in lotteries in 1979 with the Western Canada Lottery Foundation in Winnipeg and joined the British Columbia Lottery Corporation as Vice President at its start-up in 1985. His areas of responsibility include finance, administration and data processing. As a resident of Kamloops, Vic participates extensively in community activities. His major current involvement is his leadership as Chairman of the Organizing Committee of the 1993 Jeux Canada Games, hosted by the City of Kamloops.

Michelle McBride, Vice President

Michelle has been in our lottery industry for more than 15 years, beginning with the Western Canada Lottery Foundation. She also worked for Loto Canada, the federal government lottery. In 1982 she was appointed Western Canada Sales Manager for British Columbia and in 1985 was appointed Vice President of Sales and Marketing for the newly-formed British Columbia Lottery Corporation. She is a member of the Marketing Committee for the North American Association of State and Provincial Lotteries, and a member of the Marketing Committee of the Interprovincial Lottery Corporation.

Barry Auliffe, Director, Marketing Support

Barry has 15 years of lottery experience and holds a Bachelor of Science degree from the University of Waterloo. He is a member of the Canadian Public Relations Society and an Executive Member of the American Marketing Association. Barry's area includes Advertising, Draws, Communications, Promotions and Creative Services.

"Marketing Support's responsibility is to deliver to the retailers a customer who is not only aware of the product but is motivated to purchase."

Chuck Hamilton, Director, Sales & Distribution

Chuck has nine years of experience in the lottery business and more than 12 years experience in sales and distribution. He was appointed Director of Sales & Distribution two and a half years ago, after serving as Provincial Sales Manager. Chuck says his philosophy of selling is, "convincing someone they need the product you have and that they need it bad enough to pay for it."

About the Sales Department's relationship with retailers:
"The Lottery Corporation can help bring the customer to the retailer, but the retailer must create the decision to buy."

Douglas Penrose, Director, Finance & Administration

Doug is a Chartered Accountant and a member of the Institute of Chartered Accountants for the provinces of British Columbia and Ontario. He also holds a Bachelor of Commerce degree from the University of Toronto. Before joining the Corporation in 1985 he was a partner in the firm of Cook, Bryan, Hutton, Penrose, MacFayden, Chartered Accountants. Doug has been a resident of Kamloops for 12 years.

"The Finance and Administration Department services the retail network by providing friendly and efficient prize payments, timely and effective product delivery, and administrative and accounting support."

Robert B. Egan, Director, Information Systems

Rob's educational background includes a CDP designation (Certificate in Data Processing) from the Institute for Certification of Computer Professionals. He is also a designated Information Systems Professional (ISP) and Past President of the Canadian Information Processing Society, Kamloops Section. Rob joined the Corporation in 1985, bringing with him 17 years of experience in Information Systems in both management and data processing.

"Success for Information Systems professionals can only be measured by their contribution to overall Corporate goals. Our role is to provide quality applications and information technology to assist the Corporation in continually moving forward."

Heather Brandon, Director, Employee Relations

Heather has a Bachelor of Arts degree from Wilfred Laurier University in Ontario, and a Certificate in Personnel Administration from the University of Alberta. When Heather joined the Corporation two years ago, she brought with her more than 12 years of experience in employee relations management, both in the government and private sectors. Her responsibilities include recruitment and selection, training and development and compensation and benefits.

"Over the next year employee focus on achievement and excellence will enable us to meet the needs of our ever-changing marketplace."

Retailers Far and Wide

British Columbia Lottery Corporation

> *"...Every lottery retailer is a valuable partner in the Corporation's public relations program."*

The British Columbia Lottery Corporation retailer network is the link between the lottery and the player. That statement appeared five years ago in our annual report and still holds true. As the statement implies, every lottery retailer is a valuable partner in the Corporation's "public relations" program.

Although lotteries have been sold in B.C. since 1974, the past five years under British Columbia's own banner have seen expansion and sophistication of the network.

Network Profile

The natural geography of this province creates the challenge of making the product available to as much of the population as possible.

The retail network now includes more than 2,500 retailers, with more than 2,100 offering all lottery games and payment of small prizes. The combined length of the telephone wires that connect the retailer to our state-of-the-art Data Centre in Kamloops 24 hours a day would circle the globe 20 times. Lottery retailers can be found in the far-flung corners of B.C., near our neighbours in Alaska, Alberta, Montana, Idaho and Washington State and sprinkled everywhere in between.

There are also more than 1,600 retailers of *Breakopen* tickets in the province; *Breakopen* is sold only in adult social settings such as pubs, bars and at bingo games.

Gary Hubbard is a lottery retailer in Stewart, B.C. — about one kilometre from the Alaska border. Although tucked away in one of the province's corners, his contribution of enthusiasm about lotteries makes him as important as any lottery retailer in a major centre.

Support

The Corporation's financial commitment to the retailer is considerable. More than $10,000 worth of computer terminal and telephone connections is provided to the retailer at no charge.

Last year the Corporation spent more than half a million dollars training close to 5,000 retailer network staff. Retailers also receive newsletters and flyers with information about new products, marketing techniques, and features on fellow retailers who have unique selling ideas.

The Corporation continues to mount an impressive, award-winning advertising program to attract customers to retail outlets. In addition to point-of-sale material, the highly visible and attractive signage includes centrally-controlled "live" message signs which update jackpots as they grow.

Linda Papageorge of the Tsawwassen Lottery Ticket Centre was one of several lottery retailers featured in television ads to promote the B.C. Winter Games, an event supported by lottery funding. Three of the commercials were nominated for lottery industry advertising awards. Papageorge, whose outlet is a short drive from Washington State, is being presented here with a copy of the program from the awards ceremony by B.C. Lottery videographer Earl Buermeyer.

The sales force focuses on how to sell lottery tickets to the player once advertising and signage bring customers in the door.

The promotions area not only raises the public profile of the Corporation, but hand in hand with sales provides retailers with incentive programs to increase sales. Retailer incentives are in addition to the amount paid in commissions last year.

Benefits

Each year there are more people who wish to become lottery retailers than there are available lottery terminals. While the Corporation paid an impressive $30 million in commissions last year, it is not simply the cash earnings which attract small businesses.

Lotteries attract customers, increasing traffic and potential for the sale of other items. A good number of players become winners who spend their winnings in the same store.

Quick Turnover

Lottery tickets are unique because they occupy a secure place in the competition for the discretionary dollar. They are also convenient to buy and sell; lottery tickets require little shelf space, they don't "spoil", and the variety of *Instant* tickets creates a new and different look every few months.

The quick turnover of lottery tickets also means the retailer is able to restock and sell more tickets, while collecting more commission with the frequency of sales.

Nola Tibbetts' lottery outlet is close to the Alberta border in Northeastern British Columbia. Pouce Coupe has a history dating back to 1806, and Tibbetts is proud to be part of the history of lotteries in this province.

An electronic credit system means retailers have free use of the Corporation's money for several days without paying interest; no investment is required on their part and every ticket is a guaranteed sale.

All these factors make a lottery licence a prized commodity.

Pride

In addition, retailers are proud of the positive impact of lotteries on their local community: lottery outlets create employment; there are many winners of prizes large and small; and their efforts help build such things as community centres and other local facilities.

Arthur Mitchell sells lottery tickets at the Atlin General Store, located about 75 kilometres from the Yukon/B.C. border. But, as Mitchell says, "We're not so far north that we don't play an important role... Every time I sell a lottery ticket I know that a part of it helps to make things happen throughout B.C."

From the 1990 lottery retailer survey conducted by Angus Reid Group.

"Overall the British Columbia Lottery Corporation has a strong relationship with all its retailers. In fact, many retailers believe that the Corporation is among the best suppliers they deal with."

"The two key strengths of the Corporation are that we can be trusted and that we operate in a professional manner. Retailers also agree that we keep them informed, actively support them and do not make promises that we will not keep."

"The Sales staff are seen as knowledgeable of both the products and the retailer's performance. They are also known for their trustworthiness and friendliness."

"Among those retailers who run a business apart from selling lottery tickets, 87% consider the lottery to be a crucial component of their business."

Ken Douglas and Ken Herritt have a lot in common — they have the same first name, they are both married, they both fantasized about owning a fancy sports car, and on January 15, 1990 they both became millionaires.

Won Money, Bought a Car

Ken and April Douglas, both 24, came forward in January to claim a *Lotto 6/49* prize worth more than $2.2 million which they had actually won on October 14, 1989. The couple, who were just married on July 1, 1989, didn't know their winning ticket was in the back seat of the car for almost four months!

Ken and April Douglas (left) claimed their $2.2 million Lotto 6/49 prize more than two months after they actually won it. Ken and Eleanor Herritt (right) were $1 million winners on Celebration 90 who claimed their prize the same day as the Douglas'.

Once they realized the scope of the win, the Douglas' decided to play it safe — they put the ticket in a safety deposit box for the weekend. On Monday morning, though, the young couple rushed to the lottery office to pick up their cheque.

Ken's first thought after the win was that they would be able to trade in the "lucky" car that babysat their winning ticket for a new car. At the time he was also considering going back to school to fulfill his dream of earning a business degree. A second honeymoon was also in the works — in a fancy sports car, no doubt.

Wanted a Car, Got $1 million

Ken and Eleanor Herritt, on the other hand, forgot all about Ken's dreams of winning one of the exotic cars advertised as a prize on the *Celebration 90* game. They settled for cash instead — $1 million.

Porsche 944 S2 Cabriolet

Ken, 41, and Eleanor, 36, were taping and watching the televised draw program at the same time when they saw their $1 million winning number drawn. Ken feels he could now qualify for a job in TV production, since he replayed the tape of the draw over and over to confirm their win, not even bothering to watch the end of the program.

The Herritts' immediate plans for their win fall are like those of most winners — travel, a change in job status for Eleanor, a new home and some investments.

Top prize $4.6 million

Edith Daly of Cassidy, near Nanaimo, was another of the 21 individuals or groups in B.C. who took home cheques for $1 million or more. She won the top prize paid during the year — $4.6 million on the June 3, 1989 *Lotto 6/49* draw. After her win, the spry and independent 79-year-old began planning a family trip to Africa. Why Africa? Daly had always wanted to see the variety of animals native to that continent and now has the financial security to make her dream come true.

Edith Daly won the top prize paid during the year, $4.6 million.

More B.C. Winners

British Columbia Lottery Corporation

Almost 31 million prizes were paid out last year, totalling close to $227 million; $78.57 for every person in the province.

There is a common misconception that lottery players in the West don't receive a fair share of prizes. However, on the national game *Lotto 6/49* for example, B.C.'s winners took home the same percentage of prizes paid during the year as the percentage of *Lotto 6/49* tickets bought here.

Regional games such as *Lotto BC*, *BC Keno*, the *Extra*, *Express* and *Instant* games are sold only in B.C. After *Lotto 6/49*, the *Instant* games create more winners than any other games in B.C. — more than 18.5 million *Instant* prizes worth almost $53 million were paid last year. And *Instant* prizes mean more smaller prizes for more players, since the top prize on an *Instant* ticket is $20,000.

Des Cobble received a Subscription to BC Keno as part of a joint promotion with the B.C. Lions football club and won the $200,000 BC Keno top prize. His prize was presented at a B.C. Lion's home game. Des is seen here with his family and B.C. Lottery mascot "Lucky Dawg".

The Prize Fund

The prize fund is established by setting aside an average of 48 per cent of sales. All prize claims are met from the prize fund and, if after the expiry of the one year claim period any funds remain unclaimed, this amount will be returned to the players in the form of bonus prizes or additional prizes.

This year's B.C. millionaires

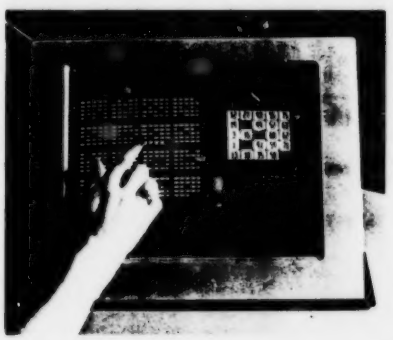
Edith Daly, Cassidy	$4.6 million	Lotto 6/49	June, 1989
Winston Boxill group, Quesnel	$3.2 million	Lotto 6/49	July, 1989
Lidia Paludetto, Vancouver	$2.4 million	Lotto 6/49	January, 1990
Gil Dos Santos, Kitimat	$2.2 million	Lotto 6/49	June, 1989
Ken & April Douglas, Richmond	$2.2 million	Lotto 6/49	January, 1990
Ernest Stones, Richmond	$2.1 million	Lotto 6/49	February, 1990
Jerome Page, Delta	$2.1 million	Lotto 6/49	March, 1990
Stan Aylwin, Prince George	$2.1 million	Lotto 6/49	August, 1989
Lindsay Scott group, Burnaby	$2.1 million	Lotto 6/49	August, 1989
Bradley McLean, Powell River	$1.9 million	Lotto 6/49	September, 1989
Ed Moberg, Vancouver	$1.8 million	Lotto 6/49	September, 1989
Don Robinson, N. Vancouver	$1.2 million	Lotto 6/49	September, 1989
James Datt, Delta	$1.1 million	Lotto 6/49	November, 1989
Rachel Martin group, Surrey	$ 1 million	Provincial	June, 1989
James Collette, Revelstoke	$ 1 million	Provincial	June, 1989
Dolores Pelszynski, Illinois	$ 1 million	Provincial	July, 1989
Pat Styan, Victoria	$ 1 million	Provincial	July, 1989
Art Edgar, Alberta	$ 1 million	Provincial	October, 1989
Ralph Geske, Langley	$ 1 million	Provincial	February, 1990
Chris Graf, Vancouver	$ 1 million	Fiesta del Sol	June, 1989
Kenneth Herritt, P. Coquitlam	$ 1 million	Celebration 90	January, 1990

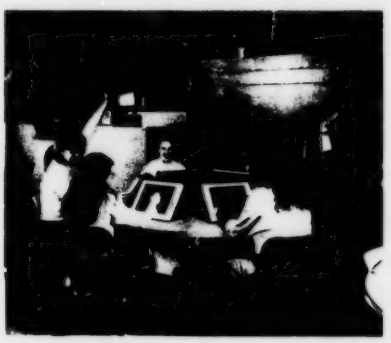
British Columbia Lottery Corporation

British Columbia Lottotech International Inc. is a wholly-owned subsidiary of the British Columbia Lottery Corporation. Lottotech's mandate is to explore new lottery technology with the potential for job creation through research, development and manufacture in B.C.

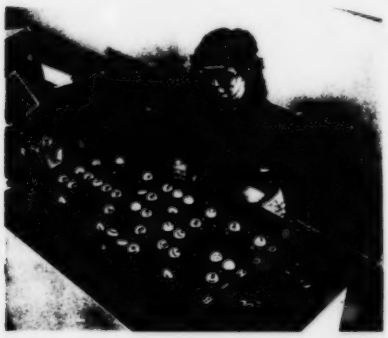
One of the primary objectives of Lottotech has been to make British Columbia the fount of technology for electronic bingo, creating an improved auditing system and assisting those who operate bingo to increase their profits. This has been accomplished with the Starship Bingo demonstration bingo hall in Vancouver.

Starship Bingo, with its clean, upscale and futuristic ambience, provides players with electronic touchscreens rather than paper cards. Developed in conjunction with the leading lottery technology supplier GTECH Corporation of Providence, Rhode Island, electronic bingo provides greater security and better auditing records by recording every transaction. It eliminates paper cards and the marking of cards, leaving more time for the "social side" of bingo between players.



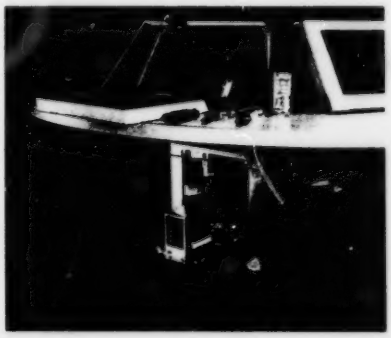


Why has Lottotech targeted electronic bingo? As stated in the Lottery Corporation Act, one of the objects of the B.C. Lottery Corporation is, "to enter into the business of supplying any person with computer software, tickets or any other technology, equipment or supplies related to the conduct of lotteries in or out of the Province, or any other business related to the conduct of lotteries."



Starship Bingo has provided a test of the consumer acceptance and economic viability of this advancement in social gaming, while at the same time providing much-needed employment and profits to charities. Last year the 42 charities which operate the Starship Bingo Hall earned $1.25 million and new profit records are set every month.

Lottotech is now working hand in hand with GTECH to develop a lower-cost electronic bingo system for the world market.



Consolidated Balance Sheet

British Columbia Lottery Corporation

March 31, 1990 *(in thousands of dollars)*	1990	1989
Assets		
Cash		
Prize Funds	$ 26,555	$ 24,096
Other	12,129	7,817
Receivables (Note 3)	12,245	10,035
Prepaid expenses	2,791	2,391
Fixed assets (Note 4)	7,885	2,270
	$ 61,605	$ 46,609
Liabilities		
Prizes payable	$ 26,555	$ 24,096
Payable to Interprovincial Lottery Corporation	3,201	2,119
Accounts payable and accrued liabilities	8,188	5,399
Deferred revenue	4,391	7,246
Long-term debt (Note 5)	5,282	—
Due to Province of British Columbia	13,988	7,749
Share Capital (Note 6)	—	—
	$ 61,605	$ 46,609

Approved

Director

Director

Consolidated Statement of Changes in Amounts Due Province of B.C.

Year ended March 31, 1990 *(in thousands of dollars)*	1989/90	1988/89
Balance at beginning of year	$ 7,749	$ 13,340
Net income	205,359	194,535
	213,108	207,875
Payments to Province of British Columbia during the year	193,907	195,236
Allocation of income to Government of Canada	5,213	4,890
	199,120	200,126
Balance at end of year	$ 13,988	$ 7,749

Consolidated Statement of Income

Year ended March 31, 1990 *(in thousands of dollars)*	1989/90	1988/89
Lottery Sales (Note 7)	$ 548,147	$ 524,230
Direct Expenses:		
Prizes	259,351	247,650
Retailer commissions	30,157	28,797
Ticket printing and bingo paper	14,411	12,859
	303,919	289,306
Sales less direct expenses	244,228	234,924
Operating Expenses:		
Data processing and network	11,431	11,689
Depreciation	3,591	4,995
Advertising, draws and promotions	14,936	10,940
Sales and distribution	5,406	5,561
Administration	3,505	7,204
	38,869	40,389
Net Income	$ 205,359	$ 194,535
Allocation of Net Income:		
Government of Canada (Note 8)	$ 5,213	$ 4,890
Province of British Columbia	195,798	188,744
Paid on behalf of the Province of British Columbia	4,348	901
	$ 205,359	$ 194,535

Consolidated Statement of Changes in Financial Position

Year ended March 31, 1990 *(in thousands of dollars)*	1989/90	1988/89
Cash Provided By (used for)		
Operations:		
Net Income	$ 205,359	$ 194,535
Depreciation, which does not involve cash	3,591	4,995
	208,950	199,530
Changes in non-cash operating items:		
Receivables	(2,210)	(6,266)
Accounts payable and accrued liabilities	2,789	1,818
Payable to Interprovincial Lottery Corporation	1,082	1,216
Prepaid expenses	(400)	(701)
Prizes payable	2,459	9,617
Deferred revenue	(2,855)	1,982
	209,815	207,196
Financing:		
Payments to Province of British Columbia	(193,907)	(195,236)
Payments to Government of Canada	(5,213)	(4,890)
Increase in long-term debt	5,282	—
	(193,838)	(200,126)
Investments:		
Additions to fixed assets	(9,206)	—
Increase in Cash	6,771	7,070
Cash at beginning of year	31,913	24,843
Cash at end of year	$ 38,684	$ 31,913

March 31, 1990 ***(in thousands of dollars)***

1. Nature of the Corporation

The British Columbia Lottery Corporation was incorporated pursuant to the Company Act of British Columbia on October 25, 1984.

The Province has designated the Corporation as the authority to conduct and manage lottery games within British Columbia and to co-operate in the conduct and marketing of national and regional games with other Provinces of Canada.

The *Express*, *Instant*, *Lotto BC*, *BC Keno*, *Extra*, *Punto*, and *Breakopen* games are conducted solely by the Corporation in the Province of British Columbia. In addition, the Corporation is the sole distributor of Bingo Paper in the Province of British Columbia.

The Corporation is the regional marketing organization for the *Provincial*, special event game, and *Lotto 6/49* games in British Columbia. These games are joint undertakings by all provinces acting through the Interprovincial Lottery Corporation. The Interprovincial Lottery Corporation is incorporated under the Canada Business Corporations Act, and its shares are held by Her Majesty The Queen in right of the respective provinces.

2. Significant Accounting Policies

The financial statements of the Corporation have been prepared in accordance with generally accepted accounting principles.

A. Consolidation

The consolidated financial statements include B. C. Lottotech International Inc., a wholly-owned subsidiary of the British Columbia Lottery Corporation.

B. Capital Purchases

The Corporation's policy on capital purchases is that any major purchase which has a future useful life beyond the current year and which will materially affect income in the year purchased, will be capitalized. These purchases include the cost of Kamloops office building, leasehold improvements, furniture and equipment for the Corporation's offices in Kamloops, Richmond and Victoria, major computer equipment purchases, all on-line gaming terminals and all components of the Corporation's sign and fixture program for placement at the on-line game retailers' locations and corporate owned kiosks.

The Corporation's capital assets are recorded at their original cost and are depreciated on a straight-line basis according to their estimated useful lives, as follows:

Kamloops office building ..... 5 years	On-line gaming terminals ..... 3 years
Leasehold improvements ..... 5 years	Signs and fixtures:
Furniture and equipment ..... 5 years	Computer ..... 3 years
Computer equipment ..... 3 years	Non-computer ..... 5 years

C. Free Tickets

Sales are reduced by the retail value of free tickets redeemed by the retailers.

D. Deferred Revenue and Expenses

Revenue and expenses relating to draws held during the year ended March 31, 1990 are included in the statement of income on an accrual basis. Receipts from the sale of lottery tickets related to draws held subsequent to March 31, 1990 have been recorded as deferred revenue. Retailer commissions on these sales have been recorded as prepaid expenses.

When the sales period exceeds one month, the sale is recorded when the ticket is sold to the consumer.

E. Prize Expenses

The Corporation provides for prize expenses at approximately 50% of sales for all British Columbia games to fund expected prize payouts.

All unclaimed prizes from British Columbia lottery games are retained in a prize fund for one year from the announced date of the draw. Unclaimed prizes remaining after the one year claiming period are used for bonus prizes and bonus draw promotions in subsequent draws.

Prize expenses for Interprovincial Lottery Corporation games is British Columbia's proportionate share of prizes funded which is based on the number of tickets sold.

3. Receivables	1990	1989
Retailers	$ 8,270	$ 8,642
Other	3,975	1,393
	$ 12,245	$ 10,035

4. Fixed Assets	1990			1989
	Cost	*Accumulated Depreciation*	*Net*	*Net*
On-line gaming terminals	$ 15,119	$ 15,119	$ —	$ —
Central systems computer hardware	8,420	8,397	23	—
Land	700	—	700	—
Building and leasehold improvements	16,648	9,607	7,041	1,681
Furniture and equipment	2,823	2,720	103	589
Signs and fixtures	2,885	2,867	18	—
	$ 46,595	$ 38,710	$ 7,885	$ 2,270

March 31, 1990 *(in thousands of dollars)*

5. Long-term debt	1990	1989
Crown Life Insurance Company Mortgage, payable in monthly instalments of $48,301 including interest at 10.625%, secured by building, due April 1, 1992	$ 5,282	$ —

Principal payments due within each of the next three years on long-term debt are approximately as follows:	1991	1992	1993
	$ 37	$ 41	$ 5,204

6. Share Capital

Authorized: 10,000 common shares without par value
Issued: 1 common share for $1.00

7. Sales	1989/90	1988/89
Nationwide Games		
Lotto 6/49	$ 281,962	$ 279,511
Super Loto	—	1,924
Provincial	20,109	22,652
Special Event Game	14,873	15,496
	$ 316,944	$ 319,583
British Columbia Games		
Extra	$ 26,333	$ 18,853
Punto	1,374	422
BC Keno	16,698	20,352
Express	3,611	5,784
Lotto BC	16,423	10,764
Instant	108,882	117,886
Breakopen	53,681	26,878
	227,002	200,939
Bingo Paper	4,201	3,708
	231,203	204,647
Total	$ 548,147	$ 524,230

8. Payments to Government of Canada

The Interprovincial Lottery Corporation makes inflation adjusted payments to the Government of Canada as a result of an agreement between the Provincial Governments and the Government of Canada on the withdrawal of the Government of Canada from the lottery field. The Corporation remits British Columbia's share of the above payments to the Interprovincial Lottery Corporation. Payments under this agreement are estimated to be $5,600,000 for the year ended March 31, 1991.

9. Interprovincial Lottery Corporation Expenses and Interest Revenue

Interprovincial Lottery Corporation prize costs and ticket printing are recognized in the appropriate category of direct expenses. The net operating rebate which includes the Corporation's share of the Interprovincial Lottery Corporation's interest revenues less operating expenses is included in administrative expenses. The net operating rebate from the Interprovincial Lottery Corporation was $831,000 for the year ended March 31, 1990 ($235,000 - 1989).

10. Lease Obligations

Long term office space leases will expire as follows:

Victoria	1994	Richmond	1995

Minimum annual rental payments for each of the next five years are approximately as follows:

1990-1991	$577,000	1993-1994	$577,000
1991-1992	577,000	1994-1995	517,000
1992-1993	577,000		

Future aggregate minimum rental payments to the expiry dates amount to approximately $2,867,000.

11. Pension Plan

The market value of pension plan assets is approximately $4,029,000 and estimated liabilities are approximately $3,729,000.

12. Comparative Figures

Certain 1989 comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

Auditors' Report

British Columbia Lottery Corporation

To the Directors of the British Columbia Lottery Corporation

We have examined the consolidated balance sheet of the British Columbia Lottery Corporation as at March 31, 1990, and the consolidated statements of income, changes in amounts due to the Province of British Columbia, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1990, and the results of its operations, and the changes in the amounts due to the Province of British Columbia, and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

June 11, 1990

Peat Marwick Thorne
Chartered Accountants

Board of Directors

The Honourable Howard Dirks
Provincial Secretary and Minister Responsible for Lotteries, Chairman

Melvin H. Smith, Q.C.
Secretary of the Board

Allen R. Price, MAIBC
Director

Guy Simonis
President

Head Office
74 West Seymour Street
Kamloops, British Columbia V2C 1E2

Richmond
10760 Shellbridge Way
Richmond, British Columbia V6X 3H1

Victoria
770 Hillside Avenue
Victoria, British Columbia V8T 1Z6

The British Columbia Lottery Corporation does not participate in the allocation of the Lottery Fund. To learn more about grants, write to:

Lottery Grants Branch
Ministry of the Provincial Secretary
Parliament Buildings
Victoria, British Columbia V8V 1X4